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C O N F I D E N T I A L SECTION 01 OF 02 SHENYANG 000216

SIPDIS

DEPARTMENT FOR EAP/K, EAP/CM, INR

E.O. 12958: DECL: TEN YEARS AFTER KOREAN UNIFICATION

TAGS: [CH](#) [EAID](#) [ECON](#) [EIND](#) [ETRD](#) [EWWT](#) [KN](#) [KS](#) [PBTS](#) [PREL](#)

SUBJECT: PRC-DPRK BORDER: BIG PLANS FOR 2ND BRIDGE AND  
DEVELOPMENT ZONE, SOBER REALITIES FOR TRADERS AND NGOS

Classified By: Acting Consul General Dannielle R. Andrews.  
Reasons: 1.4 (b) and (d).

11. (C) SUMMARY: Premier Wen Jiabao's October 4-6 meetings in  
Pyongyang produced a joint PRC-DPRK agreement to build a second  
bridge across the Yalu River. During ConGenOffs' recent trips  
to Dandong, officials openly discussed their development plan  
to include the to-be-built bridge, estimating a May or June  
2010 start date. However, they later toned down their assessment.  
Traders and aid groups expressed skepticism about the bridge and  
its collateral benefits. END SUMMARY.

12. (U) ConGenOffs traveled to Dandong City and Donggang Port  
in late November to observe the Dandong New Town Development  
Zone, Donggang International Port, and meet with consulate  
contacts. Dandong City and Dandong New Zone officials feel  
that with the elevation of Vice Premier Li Keqiang's "Five  
Points One Line" project to national-level status, the time  
is now right for Dandong to take its place as a premier  
gateway to the Pacific Ocean for Liaoning, Jilin, and  
Heilongjiang Provinces. High-speed railways are planned from  
Dandong to Shenyang and Dalian. Officials were confident about  
their ability to attract foreign investors and they foresee  
Dandong thriving within in the next 3-5 years. One official  
said that, in ten years time, Dandong will become a top-tier  
commercial city.

PRECISION INSTRUMENTS AND PRECISE TIMING  
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13. (SBU) Dandong City and New Zone officials discussed plans  
for the region to become a global center for the production  
of precision measurement instruments, with a goal of reaching  
RMB 100 billion worth of annual production. When asked how  
it would compete with Dalian, the Northeast's economic  
powerhouse, officials were careful to say that their  
production of precision measurement instruments will not  
compete. "We will concentrate on this production, Dalian-based  
companies do not produce the same things, so no problem,"  
an official added. Precision instrument companies, minimum  
investment is RMB 30 million and a ten year commitment. Their  
attraction strategy includes the customary China-wide special  
economic zone policies tax rebates on initial capital invested,  
free and discounted rent for a specified length of time, deeply  
discounted warehouse pricing, and tax-free status for the  
first five years of profitability. Companies could also  
enjoy another five years of rent at a 50 percent discount.  
Companies seeking to invest in other industries within the  
zone face no such minimums and could qualify for preferential  
treatment based on provincial or national laws, but would  
receive no special treatment from the zone. Upon further  
questioning, officials would not detail their zone's special

treatment of projects, which types of projects warrant their special attention, nor why.

14. (SBU) As evidenced by the Hong Kong-invested hospital and residential buildings, the Japanese-invested hotel, and the French watch manufacturer, all under construction in the zone, foreign investors seem to see Dandong's potential as well. According to officials, more than 100 companies have already invested in the zone, with about 20 percent of total investment coming from Western companies, such as Canada, the U.S., Germany, and France. The Canadian and American investments have come from overseas Chinese. Other foreign investments have come from South Korean and Singaporean sources. They noted that they would soon meet with other potential investors. To support the zone, officials said Dandong City and Provincial government buildings and housings will be moved into the zone. Construction is underway. To further bolster support in the zone, construction of a technical middle and high school, and a measurement and instrument college is nearly complete. Graduates from the college and other northern China universities will soon enjoy the planned Entrepreneurial High Tech Zone, in which they will be provided low-cost space to pursue "fast development of high-tech ideas."

EBULLIENCE ABOUT THE NEW BRIDGE HARD TO CONTAIN  
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15. (C) From the outset of our meetings, one New Zone official spoke excitedly about the new bridge from China into North Korea to be built in this zone. During his 3-D model

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presentation of the area, he showed ConGenOffs how the bridge will link to a main road leading towards the Shenyang-Dandong and Dalian-Dandong highways. He even ventured a guess as to how the road would link to a major DPRK highway. According to him, construction by the Ministry of Communications is planned to begin in May or June 2010. Upon further questioning by ConGenOffs (and stern looks from the accompanying foreign affairs officer (FAO), the zone official toned down his assessment saying that important details such as the exact location and questions of which side will be responsible for what part of construction and what part of payment have yet to be settled. The FAO further clarified during a later meeting that what the zone official meant to tell us was that, "if everything goes as planned, as it was announced, bridge construction could start in May or June of 2010." Given the speed with which construction in the zone has already been undertaken, further development does not depend on the new bridge.

SECOND FRIENDSHIP BRIDGE? LOCALS SAY WAIT AND SEE  
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16. (C) A more measured assessment of the bridge came from AmCit NGO contact Dr. Byung Ho Ahn of the Spiritual Awakening Mission - Christian Medical Welfare Mission (SAM-CMWM). Dr Ahn said he heard that Chinese authorities were making progress with plans for the long-awaited new bridge, but acknowledged that, based on his experience in this sensitive region, the DPRK central government would be less enthusiastic about moving forward. Dr. Ahn, the SAM-CMWM manager of a hospital serving rural impoverished villages in Liaoning Province, said his local DPRK contacts across the border in Sinuiju were excited about the bridge as it was something that the DPRK provincial commerce departments had always supported. More importantly, as it appeared that the Chinese would bear all associated costs with construction, they stood to benefit from Chinese infrastructure development on their side of the border. Ahn reserved judgment as to whether the bridge and all that is hoped it will bring, will really come to fruition.

17. (C) Finally, Dandong native An Shengyi (please protect), a Sino-Korean trader whose cross-border trade business

relies heavily on current land bridge traffic, told ConGenOffs he had not heard details about the new bridge. He said he suspected there were "still too many unknowns." When we pointed out public Chinese optimism about the project, An said the construction of the bridge is "still all up to the North Koreans" and given his prior experiences dealing with the DPRK, neither he nor his trading colleagues had confidence that the bridge would be built as announced, if at all. Further, An detailed how years ago, Liaoning Province asked the North Koreans to split the costs of bridge construction and was flatly rejected. On the second try, Beijing offered to pay for the bridge itself, but asked the North Koreans to foot the bill for related buildings and other structures, which North Korea again rejected. An said that he heard from other (and well-connected) Chinese traders that the DPRK only agreed to the deal when Wen Jiabao offered to not only pay for the bridge, related warehousing facilities, and new customs complexes, but also to foot the bill for 20 kilometers worth of new North Korean roads, from the bridge approaches inland. (NOTE: On the North Korean side of the border, the bridge terminates in an undeveloped, rural part of Sinuiju City, roughly 20 km away from the existing Sino-Korean Friendship Bridge but close to the Pyongyang-Sinuiju highway. END NOTE.)

ANDREWS